

**CalHome Program
Building Equity and Growth in Neighborhoods
(BEGIN)
Notice of Funding Availability (NOFA)**

Grants for Mortgage Assistance Loans on New Homeownership Units in BEGIN
Projects where the Applicant Provides Regulatory Relief, Regulatory Barrier
Removal, or Incentives to the Development

February 17, 2006

The California Department of Housing and Community Development (HCD) is pleased to announce the issuance of this Notice of Funding Availability (NOFA) under the Building Equity and Growth in Neighborhoods (BEGIN) Program. This Notice is for approximately \$27 million which is provided by the passage of Proposition 46, the Housing and Emergency Shelter Trust Fund Act of 2002, to provide funding to local public agencies for low- and moderate-income first-time homebuyer mortgage assistance.

This is the final NOFA release representing all remaining available BEGIN funds.

The BEGIN Program is established and described in Chapter 14.5, Sections 50860 through 50866 of Part 2 of Division 31, Health and Safety Code. The BEGIN Program is a homeownership program designed to make grants to qualifying cities, counties or city and county that provide incentives or reduce or remove regulatory barriers for housing developments, as set forth in the BEGIN Guidelines. These grants shall be used for downpayment assistance in the form of a loan to qualifying first-time homebuyers of low- and moderate-income purchasing newly constructed homes in a BEGIN project.

Several of the terms used in the Program have specific meanings defined in the program Guidelines. For proper completion of the application, HCD urges potential applicants to review the program Guidelines. These Guidelines are available on HCD's website at www.hcd.ca.gov/ca/begin. (All Section references in this NOFA refer to these Guidelines unless otherwise noted.)

Applications are now being accepted at the address listed below. The deadline for the submission of applications is May 16, 2006. Complete applications must be delivered and received by the Department of Housing and Community Development at 1800 3rd Street, Room 390-2, Sacramento, CA 95814 on or before 5:00 p.m. Pacific Daylight Time on May 16, 2006. No application received after that time and date will be considered. Applications that are substantially complete and pass threshold, will be eligible for funding.

Due to statutory requirements of Proposition 46, the Housing and Emergency Shelter Trust Fund Act of 2002, any BEGIN funds not encumbered by July 16, 2006 will revert to the CalHome Program for eligible CalHome Program uses.

All references to section numbers in this NOFA are references to section numbers in the BEGIN Guidelines as amended February 14, 2006, unless otherwise stated.

Summary of Application Review and Approval Process

At Close of Applications – May 16, 2006

1. Following the application deadline, all applications will be reviewed for eligibility. Eligibility criteria include:
 - a. Is the applicant eligible? (BEGIN Guidelines Section 103)
 - b. Does the applicant propose to assist eligible households? (Section 104)
 - c. Is the proposed use of funds eligible? (Section 105)
 - d. Does the project pass the project readiness threshold? (Section 119(c)(3))
 - e. Does the application document regulatory relief provided to the Project? (Section 106)
 - f. Is the proposed BEGIN project eligible? (Section 114)
 - g. Does the applicant propose an eligible form of homeownership? (Section 115)
2. All eligible applications will be tabulated for a total of funds requested.
3. If eligible applications are requesting more than \$27 million, the applications will be scored using the following measures (Section 119(e)):
 - a. Regulatory Relief (a minimum of 100 points is required) and Statutory Enhancements (when combined with the Regulatory Relief score, a total of 200 points is required) – See Page 13.
 - b. The project readiness points will be assigned on the following basis (Section 119(e)(1) – (4)(C):

- (1) Design status readiness as demonstrated by an executed agreement with an architect, or other design team, **10 points.**
- (2) Construction financing commitments, **10 points.**
- (3) Permanent financing **20 points (divided as follows);**
 - (A) Letters of express interest from 1st mortgage lenders, **10 points (or 20 points if no subordinate financing is required)**
 - (B) Subordinate financing commitments if required to make the BEGIN units affordable to low- or moderate-income homebuyers, **10 points.**
- (4) Local approvals, **30 points (divided as follows);**
 - (A) Tentative Map Approval, **5 points**
 - (B) Final Map Recorded, **10 points**
 - (C) Verification of all other local approvals in place, **20 points**

c. Scores will be tallied, and;

- 4. Applications will be ranked by score and selected down the list until the funds are fully committed.
- 5. After the preliminary list of awards is complete, the applications will be reviewed to determine if the geographic distribution target (See Page 10) has been met. If not, the list will be adjusted to meet this distribution target.
- 6. Awards will be made based on this adjusted list.
- 7. If the total requested by the eligible applications is **less than \$27 million**, the applications will be reviewed for regulatory relief and statutory enhancements (See page 13 and 3a above) and those applications that meet the point requirements will be funded.

Program Description:

In exchange for regulatory concessions made at the local level, the BEGIN program provides up to \$30,000 per dwelling unit in downpayment assistance in the form of soft (silent) second financing to low- and moderate-income

households. The primary intent of BEGIN is to encourage the reduction or removal of regulatory barriers that significantly increase the cost and viability of housing development. BEGIN provides an opportunity for cities and counties to *implement* regulatory relief measures in development of ownership housing for low- and moderate-income households. BEGIN's regulatory relief section rewards communities that have mitigation measures in place or that adopt new mitigation measures to ensure the building of affordable housing.

The applicant has identified the governmental constraints in its housing element, and exercised its power to relieve a barrier for the building of affordable units for the BEGIN program. By doing at least **one of the major (100 points) or both of the minor (50 points each)** actions described in the Regulatory Relief section of this NOFA, applicants must have demonstrated regulatory decision making powers to provide incentives, or to reduce or remove a barrier to affordable housing in their community and include this documentation in the application to ensure compliance with the Regulatory Relief provisions.

To be eligible for points for regulatory relief, the applicant must demonstrate the measures or actions that have been approved to implement the incentive, or to remove or reduce a barrier for at least the BEGIN units. Examples of measures or actions a city or county could take to receive credit are listed below each category in the Regulatory Relief section below. The applicant may have an alternate measure or action that would achieve the same objective and the action may be described and approved in the housing element. To ensure the regulatory relief was approved by the governing body, the applicant must provide detailed descriptions and include documents to support how the BEGIN eligible units benefited from the incentives, reductions, or removals and that the necessary approvals are in place.

Housing element component: Although not a threshold requirement, having a housing element in compliance provides a competitive edge to applicants that have complied with housing element law. Since housing elements analyze governmental constraints and identify measures for removal or mitigation of barriers, having a housing element in compliance demonstrates the locality's efforts to remove barriers to the creation of affordable housing.

Regulatory Relief and Project Enhancements:

Regulatory relief and project enhancement must be a change in a pre-existing development standard which reduces barriers to, or the cost of residential development. **For your information, the following is the complete Section 106 (Regulatory Relief section) of the BEGIN Program Guidelines as amended on February 14, 2006.**

Section 106. Regulatory Relief

The following regulatory concessions represent methods that cities and counties have implemented to assist in the development of affordable housing. If an applicant proposes to implement an alternative measure or action, it must be approved by the Department in order to receive points in any of the following categories. The BEGIN application must include sufficient documentation detailing the actions taken to ensure regulatory barrier removal was provided to the development project. Documentation of the approval of the regulatory action must be from the city or county, and contain a copy of the signed original action by the final decision-making body (i.e., planning commission, board or council). No points will be given for staff level reports, correspondence or from minutes of council meetings or other documentation that did not specifically approve the regulatory relief action and include a direct connection to the project. This approval must be obtained from the government agency, and be included in the application to demonstrate the regulatory relief action has been formally approved at the time of application. Further, the application should clearly document the cost savings from the regulatory relief by identifying the requirement before and after the regulatory relief action.

(1) Modification of Zoning, Density and Development Standards:

- (a) Modification of Zoning, Density and Development Standards: for purposes of the BEGIN application at least one of the actions listed below must have been approved. The application must demonstrate the project was developed at densities significantly above otherwise allowable standards or modify or reduce development standards to increase the project's financial feasibility. No regulatory relief points can be awarded for any project on a downzoned site. The following are examples of density modifications:
 - (1) a multifamily development must be approved with densities at least 20 percent higher than under the zoning prior to the project application,
 - (2) a single-family development must be approved significantly above otherwise allowable densities and have a density of a minimum 10 units per acre for detached, or a minimum of 15 units per acre for attached, or
 - (3) the project has reduced or modified zoning standards such as setbacks, square footage requirements, minimum lot sizes, lot coverages, floor area ratios and height limits to

permit a density increase of at least 20 percent in excess of the minimum density allowed.

- (4) Significantly reduce site improvements such as street widths
- (5) Lot consolidation: Project will be developed on a site, which had been involved in lot consolidation and/or assembly, including scattered sites.
- (6) Approve mixed use zoning in conjunction with commercial, office or other compatible land uses to reduce the cost of the housing. Credit under this section could also include approving stand-alone multifamily residential development in a commercial zone.

(2) Reduction in Permit Processing, Procedures or Times or /Regulatory Costs/Fees:

Costs associated with development, such as permits, fees, exactions, impact, linkage, school and park fees can be significant barriers to the development of affordable housing. These costs are identified in the applicant's housing element. Actions applicants can implement to alleviate regulatory constraints can include the following options. To be eligible for points in this category, the applicant must demonstrate one of the reductions outlined below. The following is a sampling of methods to receive points. To be credited with points in this section the dollar value or savings from this regulatory relief must be demonstrated.

- (a) Fees were significantly reduced or waived for this project. Fee reduction or waivers should be quantified in the application including a comparison of the fees typically collected for comparable projects and those required of the BEGIN project.
- (b) The project is located within an area for which a specific plan was approved pursuant to Government Code Section 65450 et. seq., and was not subject to additional project-level environmental review.
- (c) Significant reduction in permit processing times for affordable housing development, due to, for example, elimination of separate or sequential project reviews. Application must demonstrate cost savings to the development due to review process reduction vs. standard processing times. Applications will only be credited by demonstrating reduction in permit processing time over the baseline standard processing time.

- (d) Parkland or open space requirements which were in excess of the statutory minimum pursuant to the Quimby Act, were reduced from a previous standard.
- (e) Ministerial approval

(3) Flexible Parking Standards: Documentation of regulatory relief in the parking standard section must demonstrate how, the relief benefits the project. Flexible parking standards given to the project must be compared to normal parking standard requirements in place. In order to receive full points in this category, the parking standards on the BEGIN project must be modified by at least one of the following:

- (a) Crediting on-street parking or shared residential/commercial parking, toward minimum residential parking requirements.
- (b) Carports (unenclosed garages) are permitted to satisfy at least a portion of an enclosed garage parking requirement.
- (c) Parking requirements, inclusive of visitor parking and parking for persons with disabilities do not exceed:
 - 1. Zero to One Bedrooms: One on-site parking space
 - 2. Two to Three Bedrooms: Two on-site parking spaces
 - 3. Four or More Bedrooms: Two and one-half parking spaces

(4) Project Design: Full points will be given in this category to applications which include any one of following project design enhancements, as demonstrated in the application:

- (a) Accessory units integrated into the development.
- (b) Staff level design review (for example, not requiring full design committee review or other layers of review processes were removed and development design approval was expedited as a result).
- (c) Local governments provide off-the-shelf prototype design packages, for ministerial approval. The application must demonstrate the cost savings or relief provided to the development by selection of this relief.
- (d) Right-of way or easement dedication requirements were reduced for the project from a prior standard.

Regulatory relief and project enhancement do not include any actions which are otherwise required by law, such as actions taken in response to a density bonus application. Financial assistance from a third party, such as redevelopment agency funding, or land donation does not qualify as a regulatory relief measure.

Eligible Applicants:

The BEGIN program is designed to promote partnerships between localities and housing developers to join together to reduce the cost and increase the supply of new homeownership opportunities for low- and moderate-income households. The locality's role is to offer specific forms of regulatory relief, development incentive or project enhancements to identified BEGIN projects which reduce the per-unit cost of the housing. The locality is the applicant for BEGIN funds.

To be eligible to apply to the Department for an award of BEGIN Program funds, the applicant shall be a city, county, or city and county within the State of California which is offering specific forms of regulatory relief, regulatory barrier removal, or other incentives to an identified BEGIN homeownership project.

Localities shall only be eligible to apply for an award of BEGIN funds for a BEGIN project in their jurisdiction. They may apply for funds for more than one project, but each project requires a separate application.

Maximum and Minimum Application Amounts:

The amount of grant funds to be requested is dependent on the number of units proposed for qualifying first-time, low- and moderate-income homebuyers in the proposed BEGIN project. The minimum number of BEGIN units required in any application is four.

The maximum BEGIN loan amount per unit is \$30,000 (thirty-thousand dollars), or 20% of the home sales price, whichever is less. The applicant may choose to provide less in BEGIN loan funds per unit than the statutory maximum. The application amount will be equal to the average amount of proposed BEGIN subsidy (in the form of mortgage assistance) to be given to the eligible homebuyers, times the number of BEGIN units.

Each application will be for a separate BEGIN project. An applicant may submit more than one application in response to this NOFA.

Eligible Uses of Funds:

Local agencies may make loans to first-time homebuyers for mortgage assistance for permanent financing of a new homeownership unit ready for

occupancy. This includes self-help housing mortgage assistance, except that BEGIN permanent financing may be disbursed at time of lot purchase where the self-help housing is being financed under the U.S. Department of Agriculture, Rural Housing Services 502 program.

Ineligible Uses of Funds:

Costs other than those allowed in Section 105 cannot be paid with BEGIN funds.

Eligible Homebuyer/Homeowners:

BEGIN Program borrowers must be low- or moderate-income households whose incomes shall not exceed 120% of the county median income adjusted for family size as defined in Section 102. The current limits are listed on the HCD website at:

www.hcd.ca.gov/hpd/hrc/rep/state/incNote.html

Homebuyers must be first-time homebuyers as defined in BEGIN Program Guidelines.

Eligible Projects:

A BEGIN project can be in the pre-construction phase, under construction or recently completed at the time the Recipient applies for funds under the current NOFA. BEGIN units must not have been previously occupied as homeownership units.

BEGIN projects shall be housing developments with newly constructed homeownership units which are designated as BEGIN units and are sold to BEGIN eligible households with BEGIN program mortgage assistance. Each BEGIN project must be under common ownership. A BEGIN project must have a minimum of four BEGIN homeownership units. The BEGIN project is defined as the BEGIN assisted units. The BEGIN project may be part of a larger subdivision.

Project Readiness:

A BEGIN project must be ready for homebuyer occupancy within 36 months of the award of funds. To demonstrate the proposed BEGIN project's likelihood of completion within this timeframe, an eligible project shall, at the time of application, submit items which include the following in order to pass the project readiness threshold:

1. Site Control: The applicant's developer partner shall have site control of the proposed project property as described in Section 116.
2. Development project budget with identified sources and uses.

A complete list of the project readiness requirements is included in Section 119.

If at the application deadline, May 16, 2006, the request for funds from eligible applications exceeds \$27 million, the Department will create a funding list based on the scores of the applications received. Scores will include the points attained on the regulatory relief checklist, plus additional points for project readiness. For details of project readiness scoring, see page 2, "Project Readiness".

BEGIN Downpayment Assistance Program Guidelines Requirements:

Loans to low- and moderate-income first-time homebuyers shall meet the downpayment assistance guideline requirements as established in Section 110.

Timeframes for Use of BEGIN Funds:

Successful applicants shall enter into a Standard Agreement with HCD. The term of the Standard Agreement shall be for 36 months from the date of the award letter. Recipients shall be required to meet the performance goals pursuant to Section 123. Failure to meet the performance goals may result in funds being disencumbered and/or a penalty point reduction on future applications.

Geographic Distribution:

To prevent an imbalance of funding and to ensure a reasonable geographic distribution of funds:

45% of the funds shall be reserved for projects in Southern California
30% of the funds shall be reserved for projects in Northern California
10% of the funds shall be reserved for projects in rural areas

If there are an insufficient number of eligible applications in either the southern, northern or rural areas, and the entire amount of any percentage set-aside is not used, the balance of the set-aside and the remaining funds not assigned to a set-aside will be used to fund eligible applications in any area of the State based on highest ranking order.

For the purposes of these set-asides, Southern California includes the counties of San Luis Obispo, Kern, San Bernardino, and all counties to the South. Northern California includes all other counties of the State. "Rural" is defined in Section 50199.21 of the Health and Safety Code.

Important Legal Matters:

HCD reserves the right, at its sole discretion, to suspend or amend the provisions of this NOFA. If such an action occurs, HCD will notify all interested parties. This NOFA is subject to the CalHome Program requirements (Health and Safety Code section 50650 et seq., and California Code of Regulations, title 25, section 7715 et seq.) except as otherwise provided by Health and Safety Code section 50860 et seq. Also, this NOFA is subject to the provisions of the BEGIN Program Guidelines adopted as amended on February 14, 2006. Applicants are urged to carefully review the Guidelines before submitting an application.

Application Submission:

Application must be made on the forms provided by HCD. Applicants may submit only **one** application per BEGIN project in response to this NOFA. Application forms must not be modified. **HCD must receive two original complete applications in three ring binders.** Applicants must meet the 200 points threshold upon submission.

Applications will be available at HCD's website, www.hcd.ca.gov/ca/begin, no later than February 3, 2006, or you may contact program staff at (916) 327-2855. Applications must be delivered to one of the following addresses:

U.S. Mail

Department of Housing and
Community Development
CalHome Program
Division of Community Affairs
P.O. Box 952054
Sacramento, CA 94252-2054

Private Courier

Department of Housing and
Community Development
CalHome Program
Division of Community Affairs
1800 Third Street, Room 390-2
Sacramento, CA 95814

It is the applicant's responsibility to ensure that the application is clear, complete and accurate. After the application is received, BEGIN staff may request clarifying information.

Information and Assistance:

Staff is available to answer questions regarding the program or the preparation and submittal of the application. Please call the BEGIN program staff at (916) 327-2855.

Information Regarding Available Additional Resources

The Department's Workforce Housing Reward Program (WFH) rewards jurisdictions that issue building permits during a specified calendar year for new ownership and rental housing affordable to very low and low income households.

WFH grant funds can be used for any acquisition and/or construction of capital asset projects that demonstrate community benefit.

As a successful applicant with BEGIN funds, your affordable owner units could qualify you to apply for the WFH. Please refer to program guidelines including eligibility requirements and Notice of Fund Availability on the Department's website at www.hcd.ca.gov/fa/whrp/.

A. Regulatory Relief Section for BEGIN: must have a minimum of 100 points in this category to be eligible for the BEGIN program. Maximum of 400 points available.			
	Total Points	Self Score	HCD
1. Modification of Density (Section 106 (1)(a) (1) - (2) of BEGIN Guidelines	100		
2. Modification of Zoning and Development Standards (Section 106 (1)(a) (3) – (6) of BEGIN Guidelines	100		
3. Reductions in Permit Processing, Procedures or Times or /Regulatory Costs/Fees (Section 106 (2)(a) – (e) of BEGIN Guidelines	50		
4. Flexible Parking Standards (Section 106 (3)(a) – (c) of BEGIN Guidelines	100		
5. Project Design (Section 106 (4)(a) – (d) of BEGIN Guidelines	50		
Total points possible in regulatory relief	400		
B. Housing Element compliance section: Applicant has an adopted housing element that HCD has determined, pursuant to Section 65585 of the Government Code, to be in substantial compliance with the requirements of Article 10.6 (commencing with Section 65580) of Chapter 3 of Division 1 of Title 7 of the Government Code.			
1. Adopted Housing Element in Compliance	50		
Statutory Enhancements			
C. Additional Points are given for applications meeting each of the following statutory objectives:			
1. The extent to which the BEGIN units will serve low-income homebuyers: 25 points for 100%; 15 points for 50%, 10 points for 25%	10, 15, 25		
2. The location of the project on a site designated as “infill”.	50		
3. The location of the project in proximity (within .25 miles) to:			
• Public transit	15		
• Public schools	15		
• Parks and recreational facilities	15		
4. The location of the project in any of the following job centers: • Los Angeles and Long Beach metropolitan statistical area (MSA) • Orange County MSA • San Diego MSA • San Francisco MSA • Oakland MSA • San Jose MSA • Sacramento MSA • Fresno MSA • Modesto MSA	15		
Total Additional Points Possible	135		
Points required to meet the funding threshold (from Sections A,B, and C)	200		

BEGIN PROJECT READINESS SELF-SCORING SHEET

A. Project Readiness (All projects must meet the following three requirements in order to pass the Project Readiness Threshold)			
	Yes	No	
1. Site Control (Section 116(a)(1) – (6) of BEGIN Guidelines)			
2. Development Project Budget with Sources and Uses (Section 116(c) of BEGIN Guidelines)			
Application meets Project Readiness Threshold			
B. Other Project Readiness Elements - The following categories will be used to award points for rating and ranking purposes should the demand for BEGIN funds require application scoring.			
	Total Points	Self Score	HCD
Design Status (Evidence that design team has been identified and has been retained or on the developer's staff.) (Section 119 (e)(1) of BEGIN Guidelines)	10		
Financing Commitments 1. Construction financing commitment, 10 points 2. Letters of express interest from primary lenders, 10 points (20 points if no subordinate financing required other than BEGIN) 3. Subordinate financing commitments as required to make the BEGIN units affordable to low- or moderate-income homebuyers, 10 points	30		
Other Local Approvals 1. Tentative Map Approval (5) points 2. Final Map Approval (10) points 3. Verification of Local Approvals (20) points	30		
Total Additional Points Possible	70		